



**UNITED STATES DEPARTMENT OF EDUCATION**  
**Office of Inspector General**  
**100 Penn Square East, Suite 502**  
**Philadelphia, Pennsylvania 19107**

April 14, 2000

**Important Notice to Audit Practitioners who perform audits of for-Profit Postsecondary Institutions which Participate in Department of Education Student Financial Assistance Programs, and/ or their Servicers**

In January 2000, our office published the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. This Guide supersedes the prior July 1997 version and is intended to be used for audit periods ending December 31, 1999 or later.

The Guide is available on the Internet at this URL: <http://www.ed.gov/offices/OIG/nonfed/sfa.htm>.

Please refer to the reverse side of this page for a copy of a "Dear Partner Letter" issued by our Department's Student Financial Assistance, Case Management and Oversight Division, to heads of institutions for whom audits are required using this guide. It states that for audit periods ending June 30, 2000, use of the January 2000 Audit Guide will be strictly enforced. Use for periods ending December 31, 1999 is strongly encouraged.

If you are engaged to perform an audit of this kind, please be sure that you adhere to this guidance.

Any questions about this should sent to Hugh M. Monaghan at the address on this letterhead or via fax to 215-656-8628. You may also send an e-mail to Mr. Monaghan at the following address : [hugh\\_monaghan@ed.gov](mailto:hugh_monaghan@ed.gov)

**HUGH M. MONAGHAN**  
Director, Non-Federal Audits

Enclosure - see reverse side

April 4, 2000

GEN-00-05

Dear Partner:

In January 2000, the Department's Office of Inspector General published the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. This Guide supersedes the prior July 1997 version and is intended for audit periods ending December 31, 1999 or later. Although our office strongly encourages the use of the January 2000 Audit Guide for the audit period ending December 31, 1999, audits for this period that were performed using the prior July 1997 Audit Guide will be acceptable. However, for audit periods ending June 30, 2000 or later, use of the January 2000 Audit Guide will be strictly enforced.

Section 487(c) of the Higher Education Act of 1965, as amended, (HEA) and Section 668.23 of Title 34 of the Code of Federal Regulations (CFR) require all institutions participating in the Federal Student Financial Assistance Programs (SFA) to have an annual financial and compliance audit performed by an independent auditor. Institutions that participate in the SFA programs frequently engage service organizations (servicers) to perform certain functions relating to the administration of the SFA Programs. Section 487(c) of the HEA and 34 CFR 668.23 requires servicers to have an annual compliance audit performed of the servicer's administration of the SFA Programs.

Normally, all financial statement and compliance audits conducted to satisfy the annual audit requirement must be done in accordance with this Guide. However, public colleges, State and local universities, and nonprofit institutions and servicers must have their audits conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The audit period and reporting deadlines have not changed, i.e., annual audits are on the institution or servicer's fiscal year and are to be completed and submitted to the U.S. Department of Education within six months after the close of the institution or servicer's fiscal year.

The January 2000 Audit Guide is available on the Internet at this URL:

<http://www.ed.gov/offices/OIG/nonfed/sfa.htm>.

If you have any questions, please contact the Department's Performance Improvement and Procedures Division at (202) 260-5742.

Sincerely,

Victoria Edwards,  
Acting Director,  
Case Management & Oversight